

NIGERIA

EUROPEAN UNION (EU)

COOPERATION:

YEAR 2002 JOINT ANNUAL REPORT

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A: EXECUTIVE SUMMARY

The development cooperation between the Federal Republic of Nigeria and the European Union reached a highpoint on July 16, 2002 when the Chief Economic Adviser to the President and the National Authorising Officer (NAO) of the European Development Fund (EDF) in Nigeria, **Dr. Magnus KPAKOL**, and the European Union Commissioner for Development and Humanitarian Aid, Poul NIELSON signed the **Country Support Strategy and the National Indicative Programme** in Abuja. In general, the year 2002 marked a further growth in Nigeria-EU Co-operation, following resumption in 1999. Implementation of the on-going programmes in the Quick-Start Package continued with the start-up of the **Micro-Projects Programme in Three States of the Niger-Delta: Bayelsa, Delta and Rivers States (MPP3)** and the establishment of the **Programme of Support for the 2003 National Elections**.

2. The Federal Government of Nigeria continued its efforts to strengthen democratic governance in advance of general elections in 2003. Twenty-seven (27) new political associations were registered as political parties by the Independent National Electoral Commission (INEC), bringing to thirty (30) the approved political parties in Nigeria. The struggle against corruption by the Government was taken a step forward as the Independent Corrupt Practices and Related Offences Commission (ICPC) opened investigations on highly placed politicians and top civil servants. The Government also entrenched "due-process" in public procurement. However, the **Audit Report** released late in 2002 by the Auditor-General of the Federation revealed large-scale financial irregularities by the National Assembly and the Executive. The Government dismissed the **Report** as a calculated attempt by the Acting Auditor-General to embarrass the Government. He was subsequently relieved of his appointment.

3. Year 2002 saw the appointment and arrival of the new Head of Delegation of the European Commission in Nigeria, **Mr. Leonidas TEZAPSIDIS**. The staffing position in the Delegation somewhat improved with the recruitment of three (3) local Project Managers, as well as the arrival of one (1) seconded National and two (2) Junior Experts. The relationship between the NAO's Office and the Delegation of the European Commission in Nigeria remained cordial.

4. The third and final phase of the **Programming Study** included a week-long workshops with stakeholders in each focal state and further consultations at the Federal level. Reports of the consultations and draft financing proposals, including the draft tender documents, were submitted in November 2002 to the European Commission (EC) Headquarters in Brussels, the Delegation and the NAO's Office by the Consultants for comments.

B. THE NIGERIAN POLICY AGENDA

B.1. Governance

5. Three decades of military dictatorship in Nigeria virtually saw the institutionalisation of corruption in Nigeria. All the elements that enhanced efficiency, reliability and continuity of the system were severely tempered with, resulting in major and severe setbacks in the conduct of Government business. From the mid 1980s, Government business was operated as if laws and rules that govern the way and manner public funds were expended no longer existed. Public funds were disbursed illegally without recourse to the *Financial Regulations*; facilities of the Central Bank of Nigeria (CBN) and the Nigerian Security Printing and Minting Company (NSPMC) were recklessly abused; and the Contingencies Fund was used without regard to rules governing its operations.

6. Consequently, the democratic Government has made good governance one of its priorities, notably through the restoration of rules and regulations designed to promote honesty, transparency and public accountability. Notably in this direction is revision of *Public Service Rules* and *Financial Regulations*, the introduction of "due-process" for public expenditure in 2002 and an Anti-Corruption Commission.

B.2. Poverty

7. The Federal Government of Nigeria has initiated a process to develop a Poverty Reduction Strategy Paper (PRSP), and has produced several drafts of an Interim-PRSP since 2001. Year 2002, however, saw the consultation of civil society organisations in the process of developing a PRSP. International donors have, nevertheless, expressed concern over the PRSP. First, that the PRSP process seems detached from the policy-making process of the Government. Second, that the PRSP was produced to satisfy international donors rather than being a **Nigerian effort** to coordinate policy in order to address poverty. And thirdly, that civil society had not been seriously involved in the design of the

PRSP. The challenge of producing a PRSP in Nigeria is great because of the Federal structure, which implies that three different, and often quite autonomous, levels of Government must be involved in addressing poverty.

B.3. Africa Renaissance

8. The Nigerian Government has been one of the leaders in promoting the New Partnership for Africa's Development (NEPAD), to provide a home-grown development programme for Africa.

C. POLITICAL, ECONOMIC AND SOCIAL SITUATION

POLITICAL SITUATION

C.1. Democracy

9. The political atmosphere was clouded in the run up to the general elections planned for 2003.

10. The electoral reforms proposed by the President, which were intended to increase the tenure of Local Government Chairmen, from three (3) to four (4) years limit the tenure of Legislators to two (2) terms, and shift all the elections to the same date in 2003, were contested by the State Governments and rejected by the Supreme Court of Nigeria (SCN). The relationship between the National Assembly and the Presidency worsened during 2002, with attempts by the National Assembly to impeach the President. The Assembly based their case on alleged breaches of the Constitution, including the death of hundreds of unarmed civilians in the proximity of the Nigerian military in Bayelsa State in 1999.

11. In its struggle against corruption, the Federal Government tried to recover the public funds, reported to amount to US\$2.2 billion, stolen during General Sani Abacha's Government (November 1993 - June 1998), and deposited in foreign banks, mainly in Europe, especially in Luxembourg and Switzerland. The authorities in these countries are said to be cooperating with the Nigerian authorities to recover these funds, including the freezing and seizure of about US\$680 million deposited in Swiss bank accounts.

12. Complaints of marginalisation by the elites of various groups continued with vigour. A dispute concerning the re-distribution of oil revenues from offshore

production facilities increased tensions between the oil-producing South-South geo-political zone and the Presidency. The Federal Government successfully pacified the State Governments in the South-South of the country over the offshore issues. The threat of the democratic government being overturned by the military does not exist.

C.2. Human Rights

13. Since the 1998-99 transition to civil rule, the Government has succeeded in preserving democracy and avoiding any challenge from the military. In the run up to the Presidential election in April 2003, thirty (30) political parties were planning to take part in the election. In general, the return of democracy saw a dramatic improvement in human rights, with the abrogation of arbitrary military decrees, the release of political prisoners, the increase in press freedom, and the liberalisation of the political arena.

14. The Government was not, however, always successful in maintaining domestic order. Year 2002 was marked by increased political violence. The riots in Kaduna in December 2002 showed that the relations between Christians and Muslims are still tense. The riots can partly be attributed to the declaration of Sharia law by twelve (12) Governors in the Northern part of Nigeria. This was received with varying criticism across the political and religious spectrum. Some Muslim Clerics like Sheik El Zak-Zaky deplored the imposition of Sharia in the context of a secular State and therefore against its imposition for this specific reason. On the other hand, Christians, especially, those in the north, have been suspicious of assurances from Governors in the Sharia States that Sharia law would only be applied to Muslims. In most of the northern states of Nigeria, there has been a move to extend the application of Sharia law from civil to criminal cases. In some cases, there have been sentences to stoning to death but none have been carried out. Corporal punishments, including the amputation of hands, have occurred throughout 2002.

International relations

15. In October 2002, the International Court of Justice in The Hague ruled that Cameroon has authority over the Bakassi peninsula. Nigeria rejected the ICJ ruling. To prevent a conflict between the two neighbouring countries, however, the two governments started negotiations facilitated by the United Nations and the establishment of a joint commission between the two. The UN presented Cameroon and Nigeria with recommendations for a new border aimed at resolving

the conflict. The negotiations are continuing to find the best way to implement the ICJ ruling without provoking a conflict.

16. Nigeria remains a key member of ECOWAS and actively participates in the regional integration process. Nigerian President, Chief Olusegun Obasanjo, also plays an important role in the implementation of the New Partnership for African Development (NEPAD), a plan developed by African leaders to eradicate poverty, improve governance and encourage sustainable growth.

17. Nigeria, West Africa's leading military power, has traditionally supplied the bulk of the forces mandated for peacekeeping by ECOWAS. However, after bearing most of the burden in the missions sent in recent years to Sierra Leone and Liberia, Nigeria has proved reluctant to take up the challenge of leading a similar force in Ivory Coast while the Bakassi issue is not resolved.

Economic and Social Situation

18. Nigeria, with a population estimated at 126 million growing at 2.8% per annum, is now one of the poorest countries in the world (148/174 on human development). About 80 million people (70%) live below the poverty line. However, social indicators have improved in Nigeria over the last decades, as life expectancy rose between 1975 and 2000 from 44.0 to 51.3 years and the overall Human Development Index rose from 0.328 to 0.462.

19. Over the last 6 years, the Human Development Index (HDI) has been roughly stable at around 0.45 out of 1, indicative of a low Human Development country ($HDI < 0.5$). Although Nigeria has achieved the Millennium Development Goals target of halving the population at risk to hunger, and is on track to meet the target for primary school enrolment and elimination of gender disparity in all levels of education, if the present trend continues, the country will not meet the targets to reduce under-five and infant mortality rates or increased access to water and sanitation. The indicators are summarised below (see also Annex 1):

Indicators		
1.	Proportion of population below \$1 per day	70.2% (2002)
2.	Prevalence of underweight children (under-five years of age)	27% ('95-'00)
3.	Under-five mortality rate	18.4% (2000)
4.	Net enrolment ratio in primary education	70% (1999)
5.	Primary Completion Rate	69.5% (1995)
6.	Ratio of girls to boys in primary education	0.87 (1996)
	Ratio of girls to boys in secondary education	0.88 (1996)
	Ratio of girls to boys in tertiary education (technical colleges only)	0.17 (1996)
7.	Proportion of births attended by skilled health personnel	42% ('95-'00)
8.	Proportion of 1 year old children immunised against measles	41% (1999)
9.	HIV prevalence among 15-24 year old pregnant women	6.0% (2001)
10.	Proportion of population with sustainable access to improved water source	57% (2000)

Disaster prevention and preparedness remain major concerns after 1,000 people were killed as the result of the explosion of a military munitions store in Lagos in January 2002. Environmental issues remain important, especially in the Niger Delta, where oil sabotage and spilling and the flaring of gas are still widespread.

An economy dominated by oil and state enterprises

20. Nigeria's economy is heavily dependent on petroleum revenues (98% of total exports) and highly exposed to world market price fluctuations. The predominance of oil (and gas) is likely to continue, especially with large offshore facilities taking shape. Opinion is that the offshore production facilities might decrease environmental damage to people's habitat, but will decrease trickle-down effects to local economies.

21. Some major new investments did take place, mainly in the oil and gas sector. The Nigerian Liquid Natural Gas Project significantly expanded its operations by opening a third train three months ahead of schedule. A US\$2.1 billion investment deal was struck to create a fourth and fifth train. The establishment of the over 1,000 km long West African Gas Pipeline is on track and will eventually be able to transfer 600 Mmcf per day from Escravos (Nigeria) to the Takoradi Power Plant (Ghana). A significant offshore oil block was awarded to the American Ocean Energy Company in November 2002.

22. New private direct investments were recorded in the telecommunication sector between FY2001 and 2002, mainly in mobile telephony. Some foreign and indigenous companies were given licenses to operate fixed wireless telephone, covering a greater part of the rural Nigeria.

23. Nigeria's overall trade balance is still positive, although it declined from \$5.6 billion in 2001, to an estimated \$1.6 billion in 2002. The overall balance of payments is projected to be negative, partly due to the repurchasing of a third of its commercial debt.

24. More diversification can occur as the overvaluation of the Naira has decreased with the introduction of a Dutch Auction System for foreign exchanges, making Nigerian products more competitive in the international market. The majority of the Nigerian people - farmers - will probably not benefit though, as their products do not comply with Western safety and environmental regulations.

Investment and growth

25. There is a considerable debate on how much the economy has grown in 2002. The IMF puts the growth at -0.9%, whereas the Nigerian Authorities estimate the growth between 3 and 4%. The discussion on such a basic indicator shows the need to strengthen statistical institutions.

26. 2002 saw a good rainy season and agricultural output grew strongly by 5.9% in 2002. The telecom sector also fared well. However, due to OPEC restrictions on oil output, overall growth was not high. Non-oil international investments remain low, and with an EIU country risk rating of D, this is not likely to change rapidly. The Nigerian Stock Market performed very well in 2002, reaching record heights.

Macro-economic management

27. Foreign exchange reserves declined significantly in 2002, from US\$10.4 billion to US\$7.2 billion in December. Inflation remained at around 15% and the budget deficit around 5% of GDP. Fears that both would rise with the elections in sight did not materialise in 2002, as the government did not spend as much as was provided in the budget adopted in March 2002. A July 2000 Stand-By Agreement had lapsed in October 2001 as key objectives had not been met. It was replaced by informal monitoring which in turn was discontinued in March 2002 because of the risk that appropriate macro-economic policies might not be applied in 2002. The dominance of oil in exports makes the country very vulnerable to external shocks. Instead of insuring themselves against those shocks by saving money when the oil price is high, the government's expenditure pattern and the price of oil display the same pattern.

28. 2002 saw completion of the first phase of privatisation supervised by the Bureau of Public Enterprises, but so far no major public company has been successfully privatised. In particular, the electricity (National Electricity Power Authority) and telecommunications (Nigerian Telecommunications) public providers have not been privatised, following the failure of a sale of NITEL.

29. Nigeria is a beneficiary country under the US African Growth and Opportunity Act (AGOA). In 2002, Nigeria's duty-free exports to the United States under AGOA were valued at US\$5.4 billion, consisting primarily of petroleum products. These exports represented 93 percent of Nigeria's total exports to the US.

Education and development: The Education Fast Track Initiative

30. Nigeria has been invited to participate in the Fast Track Initiative (FTI), namely in the so-called Analytical Fast track. She is one of the five countries - with the most children out of school - to be provided intensified technical, capacity building and consensus building support to strengthen the education sector. Concerning FTI at the country level, there is a bi-monthly coordination meeting chaired by UNESCO and USAID and attended by UNICEF, DFID, WB and JICA. Nigeria participates through the EFA Secretariat, housed in the federal Ministry of Education. The committee is finalising a "Development Partners Perspective Paper". The Delegation is following the exercise but not playing a leading role as education is not a focal sector under the Country Support Strategy.

D. OVERVIEW OF PAST AND ON-GOING COOPERATION

D.1. EC co-operation: Results, analysis, lessons and experience

Background

31. On 16 July 2002 the *Country Support Strategy and Indicative Programme* was signed between the Nigerian government and the EC. It noted that Nigeria now has a unique chance to address its many challenges. The return of democracy in 1999 allows a thorough reform of governance. High oil prices provide the resources to fund reform and development. Continued political courage will be needed to grasp this chance. In particular, the government needs to strengthen respect for the rule of law, continue the struggle against

corruption and to improve management so that oil money can start to reinforce poverty-oriented services, notably water, education and health.

32. Donor funding is not large enough to address these challenges directly; but it can help Nigeria find ways to do so, by supporting Nigerians' own reform efforts. For this reason, the EC proposed to concentrate on working with Nigerian programmes, rather than establishing separate projects.

33. In the Federal structure of Nigeria, the state and local levels have received, and are set to continue to receive, increased resources and greater autonomy as a result of the return of democracy. Furthermore, these levels have most responsibility for poverty-oriented services. The EC therefore proposed to concentrate on these levels.

34. Given the large number of states, the EC will concentrate on six of the thirty-six States, distributed across the country: Abia, Cross-River, Gombe, Kebbi, Osun and Plateau. The *National Indicative Programme* will support reform, with the aim of radically improving service delivery, especially in the priority area of water and sanitation. The programme will initially fund support for reform (training, institutional strengthening, technical assistance). Subject to progress in improving service delivery, it will in a second phase provide substantial direct budget support to the six states. Increased transparency of public accounts at all levels will necessarily be an important component of these reforms; here civil society has an important role to play in ensuring popular participation in the setting of priorities and the monitoring of their implementation.

35. During 2002 work continued on projects identified earlier (see below), but a lot of delay was experienced in obtaining the necessary comments and approvals from the Office of the NAO for payments orders, MOUs, launch of tenders, etc. These delays affected the pace of project implementation.

36. In 2002, the Financing Agreement for the Programme of Support to the NAO (€6 million) expired before the commencement of the project. This is attributable mainly to bureaucratic delays in the Office of the NAO. The NAO was therefore asked to request cancellation of the *Financing Agreement*. Preparation for the national elections continued. A EU Exploratory Election Monitoring Team visited Nigeria from 13 to 23 November 2002. It concluded that a EU Electoral Observer Mission (EOM) would be useful, advisable and feasible, if the Nigerian authorities invite it; and that it was important to ensure a long-term presence.

4.1.2. "Quick-start" Package

4.1.2.1 Micro-projects in the Niger Delta: Rivers, Bayelsa and Delta States.

Project no.: 7 ACP/UNI 051

Project budget: 21,000,000 Euro

Fund disbursed: 961,145 Euro

Objective: *Improving the living standards in poor settlements and reduction of poverty as well as social tensions/crisis in the Niger Delta.*

37. MPP3 is a social Development Programme funded by the Commission of the European Communities in co-operation with the local Communities, Local Government Authorities, national Non Governmental Organisations and Community Based Organisations.

38. The programme will fund about 5000 micro-projects in the sectors of water supply, local transports, health systems, income generating activities and micro credit schemes. Communities will contribute 25% of the costs of the projects, in the form of direct labour, in kind contribution or in cash. They will be involved in all phases of the project, from conception to implementation, evaluation and eventually the management after completion. Such a participatory approach requires capacity building among all the stakeholders of the project, not only the communities but also the implementing partners of the project, which will be NGOs, CBOs, and LGAs.

39. A Management Unit selected through an international tender carried out in 2001 is running the programme. The Management Unit is in charge of the whole organisation and delegates to its Regional Offices in the Three States, the administrative and logistic support to the local implementing partners of the projects. Such a structure became fully operational in 2002.

40. A first inception plan was drafted and was used as a basis (together with a Conflict Impact Assessment report that was produced at the beginning of the year by an independent international consultant) for the creation of the Work Plan Year 1 that will cover the period August 2002 - September 2003. Under the inception plan 15 pilot projects were executed in the three states and in the different MPP3 sectors.

41. The other main activities of 2002 concerned the launching of the MPP3 web site (www.mpp3.org), the screening of local implementing partners and the

preparation of the MPP3 awareness campaign, scheduled for early 2003, whose purpose is to inform all the communities of the three States about the existence and the possibilities of MPP3. By the end of 2002, 258 projects had been approved but were still awaiting funding.

4.1.2.2. *Micro-projects programme in six states of the Niger Delta: Abia, Akwa-Ibom, Cross River, Edo, Imo and Ondo.*

Project no.: 7 ACP/UNI 059

Project budget: €42,000,000 Euro

Fund disbursed: -

Objective: Improving living standards and democracy building and conflict-prevention in the Niger Delta.

42. MPP6 is a five-year programme that will provide support to the rural populations of the six states of Niger Delta Region: Abia, Akwa-Ibom, Cross River, Edo, Imo and Ondo. It was conceived as a replication of the MPP3 programme to cover the remaining six states of the Niger Delta, thus will have the same targets and the same approach that has been currently put in place under the MPP3.

43. In 2002 the Technical Assistance company for the programme was selected by tender. The team of international experts selected by the chosen company will set up the Management structure, which will be composed of a central Management Unit and six decentralised Regional Offices.

44. The programme will fund over 12,000 mainly village-based micro-projects across the six participating states. They may be in various sectors such as water supply, village transport, health systems, and income-generation or micro-credit schemes. Communities will actively contribute at least 25% of the cost in labour, in kind or in cash. This requirement is mainly in order to ensure that communities select micro-projects to which they have a real commitment and to achieve sustainability of projects after their accomplishment.

45. Linkages will be established between **MPP3** and **MPP6** to develop synergy between the programmes. This will be facilitated by the common approach that the two programmes share towards cross cutting issues as gender and youth-related problems, environmental issues, conflict prevention and good governance. As in **MPP3** the communities and the implementing partners will participate in

capacity building activities. Government institutions (local and state government) will be fully involved in **MPP6** training programmes and participatory planning.

4.1.2.2 *Small Towns Water Supply and Sanitation Project (STWSSP).*

Project No: *7 ACP UNI 056*

Project Allocation: *€15,000,000*

Commitment: *Nil*

46. The tendering process for the selection of the Project Management Consultant to provide technical assistance services experienced a lot of delays during 2002. Though the shortlist of nine (9) firms/joint ventures selected following a pre-qualification exercise and the tender document were approved by Brussels in the last quarter of 2002, the tender was yet to be launched by the 31st of December 2002.

47. The Financing Agreement has been extended to December 31, 2008.

4.1.2.4 *Economic Management Capacity Building Programme, EMCAP (€12,000,000).*

48. The objective is to contribute to improving Nigeria's overall economic governance by strengthening key institutions such as the Federal Ministry of Finance, the Central Bank of Nigeria, the Federal Office of Statistics (FOS) and the National Planning Commission. It did not advance between its adoption in 2000 and 2002, when the NAO proposed to use the project to fund the move of the Federal Office of Statistics from Lagos to Abuja. The EC agreed a 20% increase in the commitment from €10,000,000 to €12,000,000, to allow this. A Work Plan was agreed to incorporate this and start up the other foreseen activities. A preparatory study for the move of FOS was launched.

49. The EMCAP support for FOS is focused on data processing and dissemination, through strengthening of the information systems in the new headquarters. The data collection aspect will also be strengthened in human terms by the decision to relocate some of the staff to leave Lagos to state FOS offices rather than to Abuja.

50. In September, the Technical Assistant in the PU within the Ministry of Finance was changed for the third time. His role is to support the EC EMCAP support. An accountant was recruited in October within the TA contract.

51. Contracts were also issued for a national consumer survey, core welfare indicators questionnaire and a price watch survey.

52. Contracts were issued for a policy study on fiscal federalism and on legal environment and the judicial system. A research proposal for the study on the effectiveness of public spending was received.

53. A study produced a report and recommendations in relation to the hardware and general software requirements of the Integrated Financial and Economic Management Information System. (IFEMIS).

54. The project is very diversified into many sub-components. The diversification and the number of project implementing agencies have made the project problematic in its implementation. Various constraints have caused delays in implementation; the Delegation of the European Commission has been understaffed; the National Authorising Officer delayed responses and the cooperation between the EC expert and PMU suffered from problems during 2002, resulting in slow progress on the *Integrated Financial Management Information System (IFEMIS)* and funding of activities of the EC expert. The understaffing of the Commission has been largely resolved, but the other two constraints are likely to cause delays in the coming year and deserve attention.

55. By the end of 2002, €824,767 had been disbursed.

**4.1.2.5. Programme of Support to the Office of the NAO
(€6,000,000).**

The programme to strengthen the capacity of the NAO's office to effectively manage, co-ordinate, monitor and utilise the external aid resources provided by the EC suffered a setback during 2002. When the programme failed to commence before the expiration of the Financial Proposal on 1st July 2002, the NAO was advised to request for its cancellation and possibly ask for a new programme to be refinanced.

56. By the end of 2002, a new pre-qualification document was being prepared in anticipation of the cancellation of the Financing Agreement.

57. Meanwhile, the Work Programme 1 (€135,000) for a short-term support programme to the NAO's office was extended till 31st March 2003.

4.1.2.6. Democracy Programme Supporting Nigerian Parliament and State Assemblies (€6,600,000).

Project: 7 ACP UNI 058

Project Budget- (€6.6million)

58. The overall objective is to reinforce the democratic system in Nigeria by enabling the National and State Assemblies perform their functions (lawmaking, representation, and oversight) efficiently and effectively.

59. The project will strengthen the capacities of the State Assemblies of the six focal states and strengthen communication channels between the legislatures and the electorate, thus helping legislators to make informed decisions on public needs.

60. The original deadline for the start up of this project was 31st December 2001. This was exceeded due to the failure of the tender to select a service provider. It was then agreed to proceed by direct agreement with the Inter-Parliamentary Union.

61. However, the project's work is to take 27 months, and thus requires a one-year extension beyond the current expiration date of 31st December 2004.

E. COUNTRY SUPPORT STRATEGY & NATIONAL INDICATIVE PROGRAMME

62. With the suspension of the EU-Co-operation with Nigeria in 1995, a total of €230 million of balances from 4th - 7th EDF's still uncommitted after committing funds to the programmes under sections 4.1.2 to 4.1.7 above, €100 million notified in August 1999 for the 8th EDF, and €222 million under the 9th EDF are available for programming (total €552m). A 'B' Envelope of €44 million will be mobilised for unforeseen needs in accordance with annex IV, article 3 of the Cotonou agreement.

63. The sources and uses of funds can be summarised as follows:

Sources of funding:

9 th EDF:	€222 million
8 th EDF:	€100 million
4 th - 7 th EDFs uncommitted	€230 million
balances:	
Total:	€552 million

Uses of funding:

Water and sanitation	and	€230 million:
		- €10 million: Federal water reform;
		- €45 million: institutional support;
		- €175 million: budget support
State and local institutional and economic reform		€220 million
		- €45 million: institutional support;
		- €175 million: budget support
Immunisation		€64.5 million
Other programmes		€37.5 million
Total:		€552 million

64. A programming study (€1.8m) organised consultations with stakeholders in the public and private sectors, communities and CSOs, to prepare the Country Strategy and the National Indicative Programme. These were signed between the Commission and the Government of Nigeria on the 16th of July 2002. A 3rd phase of the programming was carried out by the same consultants from May to October 2002, aimed at a detailed definition of the programme and programme implementation, and including week-long workshops in each of the six focal states. In December 2002 the consultants submitted to the Nigerian Authorities and the European Commission two financing proposals covering (i) institutional and economic reforms and water governance in the 6 focal states at the state and local levels and (ii) water and sanitation policy development at the federal level.

Focal sectors and focal states

65. The National Indicative Programme will focus on six focal states: Abia, Cross River, Gombe, Kebbi, Plateau and Osun, and two focal sectors: (i) Water and Sanitation; (ii) State and Local Institutional and Economic Reform. Approximately €90 million are earmarked for institutional support to reforms and strengthening of states, local institutions and civil society.

66. Provided that reforms are in place, additional resources of about €350 million will be provided as budgetary support to enhance state and local level investment in water and sanitation and other poverty related areas.

67. Because water and sanitation strongly depends on advances in policy, the NIP has provided for support to strengthening of policy and capacity at the Federal level for around €10 million. A national consultative workshop was held in 2002 to define core areas of support at the federal level.

Co-operation with the European Investment Bank (EIB)

68. After the complete settlement of arrears by the Federal government in 2001, the EIB was in a position to resume operations after eight years of suspension. Delays in processing debt service have been reduced significantly and procedures have become more transparent, so that, by the end of 2002, debt service can be considered as being on track.

69. No new loans were signed during 2002, but implementation continued of a first operation for €5 million that had been signed with a local financial intermediary in 2001. It provides for long-term lending and equity to fund small and medium investments in industry, agro-industry, mining, tourism and related services.

70. In anticipation of the coming into force of the Investment Facility managed by the EIB under the Cotonóu Agreement, appraisal started on potential projects, which should materialise during 2003. In particular, the Bank started to appraise a €50 million loan in favour of one of the private GSM operators for his network expansion and a further global loan facility for SMEs of €50 million through intermediation by a pool of local banks.

Projects and Programmes outside focal sectors

4.5.1. *PRIME (Partnership to Reinforce Immunisation Efficiency) - (€64.5 million)*

Project no. -7ACP UNI 62

Initial Project Budget- €64,500,000

Additional 20% funding- €12,900,000

Total Project Budget- €77,400,000

Funds Contracted- €20,440,000 (Commitment 1 -Polio Eradication)

Funds disbursed by the Commission- €20,440,000

Commitment 2: €44,000,000 (Routine Immunisation)

71. The purpose of the project is:

- i) Support to Polio National Immunisation Days (NIDs).
- ii) Support the establishment and implementation of necessary systems for sustainable delivery of quality routine immunisation in targeted areas.

72. The main expected results:

- i) The management of immunisation services within the context of improved health management;
- ii) Safe and efficient immunisation services, including cold chain and transport system, are permanently available to communities at health facility level;
- iii) The coordination of stakeholders in immunisation is improved.

73. In 2002 the Delegation monitored the NIDs rounds. A Wild Polio Virus outbreak reported in the far Northern States of Nigeria was attributed to high rejection of immunisation by the communities. Rejection of immunisation in Northern Nigeria is sometimes traced to suspicion that the free immunisation could be a form of family planning (sterilisation) directed against young children. The Delegation in collaboration with WHO and UNICEF then stressed that mobilisation of communities should be done in a participatory manner. All stakeholders were then involved, helping improve polio eradication activities to achieve up to 95% coverage in the most difficult areas of Northern Nigeria.

74. The tendering process to select the company to manage the Project Management Unit for the Routine Immunisation component started early in 2002, which should allow a start-up of work in early 2003.

75. In May 2002, following an article in the Financial Times questioning the regularity of the use of interest bearing accounts for the PRIME polio funding, an audit was carried out by agreement between the Commission and the Nigerian government. This established that there was no wrongdoing as the article had suggested, and made a number of recommendations to strengthen financial management.

Nigeria Election 2003 Support Project - (€6.5million)

Project no. -7ACP UNI 064

Project Budget- €6,500,000

Funds Disbursed- €5,175,000

76. The project has three components:

- civic education (€3,000,000),
- national election observation (€680,000)
- technical assistance to the Independent National Electoral Authority (INEC) (€384,000).

77. Project implementation started in July 2002, with a Project Management Unit (PMU). Project implementation is under UNDP/UNEAD in partnership with the Transition Monitoring Group (TMG). Milestones of achievement include

- a) Design and Evaluation workshop for CSOs for the civic education component.
- b) Selection of Civil Society Organisations (CSOs) to implement grass root programmes on electoral violence.
- c) Facilitation of INEC/CS forum and strategy for the aggregation and dissemination of election result.

Other instruments.

4.6.1. EU-ACP Business Assistance Scheme (EBAS)

78. The EU-ACP Business Assistance Scheme (EBAS), which is designed to enhance the competitiveness of private sector enterprises in African, Caribbean and Pacific (ACP) countries, was wound down during 2002 and new applications are no longer possible.

79. The EBAS scheme was launched in Nigeria on June 27, 2001. The formal launching ceremony of EBAS attracted more than 200 representatives of the business community, the financial/industrial sector, the professional organisations, youth associations and the mass media. A company or association could apply to EBAS to co-finance a project, which involved using consultancy services to improve their performance.

80. The EBAS programme for the English speaking countries in western Africa (Gambia, Ghana, Liberia, Nigeria and Sierra Leone) is managed by a regional office based in Accra, Ghana.

81. The start-up of the EBAS in Nigeria was very slow, 5 projects with total grants of €110.360 was approved during 2002 and only 1 project with a total grant of €9.354 was approved during 2001.

Nigeria component of West African Regional EDF programme: PACE - Pan African Programme for the Control of Epizootic Diseases

Project Budget- €2.4 million

Commitment 1 - €278,164.13

Disbursement - €278,164.13

82. The PACE programme is a follow up of the Pan-African Rinderpest Campaign (PARC) co-financed by the European Community (EC), 1986-1999). The project is aimed at improving animal disease surveillance, control and reporting as well as strengthening government services delivery in animal health. PACE agreement was signed in April 2001 and fund received in November 2001.

ACTIVITIES IN 2002

Fight against Rinderpest

83. During the year 2002, 16,000 serum samples were collected from 300 herds of cattle from age 1 to 1.5 years, through the country and submitted to the Central Laboratory at National Veterinary Research Institute, Vom for analysis. The result of the analysis was delayed due to the late procurement of Laboratory reagents and kits and would be available early in 2003.

Control of other Epizootic Diseases

84. 100 Epidemiologists were trained during the year to have in-depth knowledge of other epizootic diseases especially Contagious Bovine Pleuro Pneumonia (CBPP). During the year, three laboratories located in the northeastern, central and western Nigeria respectively were identified and equipped for surveillance and analysis of serum samples.

Constraints:

85. The National Co-ordination Unit has not been effective in implementing the programme resulting in frustrating delays especially of tender processes. Award of contract for the supply of computers to selected firms was yet to be done by the end of the year despite the fact that the selection process ended on the 10th October 2002.

86. Procurement of diagnostic reagents is stalled following delays by the Ministry of Finance to clear purchase of foreign exchange for more than one year. Without these materials the regional laboratories cannot provide the required diagnostic services.

4.7. STABEX - Nigeria is not eligible for this financing instrument.

4.8. SYSMIN - Nigeria is not eligible for this financing instrument.

5.0. Programming perspective for the following years

87. The **Country Support Strategy (CSS)** was signed on 16th July 2002 and a mid-term review is planned for 2004. The 2003 annual review will need to validate two aspects of the strategy: decentralisation and state selection:

- The preparation of implementation of the main strategy has been subject to considerable delays. In part this may be due to an important aspect of the structure of the programme: while the support is to be provided mainly at State level, the National Authorising Officer and his staff who are responsible for implementation as in all ACP countries, are at Federal level. The preparation of the programme has therefore been more successful in developing a sense of ownership at state level than at federal level. This is reflected in more rapid responses by state authorities when solicited. As the CSS notes, "Financing agreements will be concluded with the NAO at the federal government level, but in line with the objectives of decentralisation, the NAO will, in conformity with Article 35 (1) of annex IV to the Cotonou Agreement, delegate certain powers to the national state authorities." This delegation is essential, and its modalities will need to be agreed in 2003 to confirm the overall approach.
- The states were selected in 2001. A considerable length of time and many events have occurred between this selection and programme start-up on the ground, notably the elections of 2003. The 2003 review will thus also need to validate the state selection.

6.0. First Trial Review - Specific Issues:

88. The first review will only be due in 2003.

7.0 Summary and Conclusions

89. 2002 saw the first significant start-up on the ground of the 'quick start' programmes, notably micro-projects in the Niger Delta. This was considerably

later than had been planned, which draws attention to implementation difficulties, especially in the office of the NAO. The programme of support to the NAO was designed to address these difficulties; the fact that it had to be cancelled (with a view to re-launching it in 2003) is a worrying sign that cooperation with the EC has not been able to effectively mobilise the government resources, especially in the National Planning Commission. The 2003 Annual Review will need to address this issue.

90. At the same time, progress was made in the preparation of several projects, as described above, in a way that should allow an acceleration of activities on the ground in 2003.

Programming perspective for the following years

91. The 2003 annual report will need to validate two aspects of the strategy: decentralisation and state selection:

- The preparation of implementation of the main strategy has been subject to considerable delays. In part this may be due to an important aspect of the structure of the programme: while the support is to be provided mainly at State level, the National Authorising Officer and his staff who are responsible for implementation as in all ACP countries, are at Federal level. The preparation of the programme has therefore been more successful in developing a sense of ownership at state level than at federal level. This is reflected in more rapid responses by state authorities when solicited. As the CSS notes, "Financing agreements will be concluded with the NAO at the federal government level, but in line with the objectives of decentralisation, the NAO will, in conformity with Article 35 (1) of annex IV to the Cotonou Agreement, delegate certain powers to the national state authorities." This delegation is essential, and its modalities will need to be agreed in 2003 to confirm the overall approach.
- The states were selected in 2001. A considerable length of time and many events have occurred between this selection and programme start-up on the ground, notably the elections of 2003. The 2003 review will thus also need to validate the state selection.

Annex 1. Intervention Framework 9th EDF

Annual Operational Review 2003

Sector: State and Local Institutional Reform	Performance Indicators	Status 2003 (and previous years if available)	Target 2003	Target 2004	Target ...	Sources of information	Assumptions
National Sector Target - Alleviation of poverty	- level of literacy by age group (15+, able to read newspaper)	53% (1999)				MICS 1999 - FOS/UNICEF	
	- life expectancy						
	- prevalence of water-borne diseases						
	- frequency of clinic visits						
	- availability of medicines						
	- availability of learning materials						
	Proportion of population below \$1 per day	70.2% - 1983-2000				http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=cty_f_NGA.html	
	Prevalence of underweight children (under-five years of age)	27% % - 1995-2000				http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=cty_f_NGA.html	
	Under-five mortality rate	201 per 1000 live births (1970) - 183 per 1000 live births (2001)				http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=cty_f_NGA.html	
	Net enrolment in primary education	56.8% (1999)				MICS 1999 - FOS/UNICEF	
	Primary Completion rate (reaching grade 5)	95% (1999)				MICS 1999 - FOS/UNICEF	
	Ratio of girls to boys in primary, secondary and tertiary education	45 % 1999, 2000/01				http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=cty_f_NGA.html	
	Proportion of births attended by skilled health personnel.	42% (1995-2000) %				http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=cty_f_NGA.html	
Intervention Objective: - Improved delivery of poverty-oriented services in six focal states	Proportion of 1 year old children immunised against measles	41% 1999 %				http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=cty_f_NGA.html	
	HIV prevalence among 15-24 year old pregnant women.	Not Available					
	Proportion of population with sustainable access to an improved water source	57% (2000)				http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=cty_f_NGA.html	
	In each focal state: Input and process indicators: - Level of funding disbursed from the EC to the focal states - Timeliness of EC disbursements - Timely preparation and adoption of the state budget						

Sector: State and Local Institutional Reform	Performance Indicators	Status 2003 (and previous years if available)	Target 2003	Target 2004	Target ...	Sources of information	Assumptions
	- Level of budget allocations for social expenditure (health, education, WS & S, and rural development)						
	- Actual social expenditure should not be less than x percent of the total budget.						
	- Budget related documents are published and disseminated widely and on time.						
	- Budget figures are gender-disaggregated wherever possible.						
	- Civil society effectively monitors the budgeting process and budget implementation alongside the state assembly						
	- Value for money assessment of public investment is carried out annually.						
	- Value for money indicator improves by x percent						
	- The ratio of procurement to market prices comes down by x percent						
	- Measures to fight corruption are strengthened						
	- Measures to fight corruption are operational, i.e. the number of prosecutions and convictions increases (targets in real figures not percentages?).						
	- Reduction in the average length of time it takes for a case to proceed from first registration to the start of trial and to reach a verdict.						
	- Data collection, processing and dissemination is improved.						
	- CWIQ surveys are established.	Yes - 2003				FOS	
	- Civil service reform plans are formulated.						
	- Civil service reform plans are implemented.						
	- Government policies become more gender sensitive.						
	- Government policies become more environmentally sound.						
	- State and Local governments cooperate in defining and respecting each other's mutual responsibilities.						
	-						
	-						
	Output indicators:						
	- Level of computerisation						
	- Number of civil servants trained						
	- Availability of medicines						
	- Availability of learning materials						
Results: - Transparent state and local governance in six focal states - Administrations	Outcome indicators:						
	- Elections take place in a free and fair environment - Reduction in percentage of people unable to satisfy food needs sometime during the year	AB: 64% CR: 68% GM: 48% KB: 27% OS: 41% PL: 45%				CWIQ - FOS 2003	

Sector: State and Local Institutional Reform	Performance Indicators	Status 2003 (and previous years if available)	Target 2003	Target 2004	Target ...	Sources of information	Assumptions
reorganised to improve service delivery - Dissemination of lessons learnt to non- focal states and contribution to national water policy	- Reduction in percentage of people unable to satisfy food needs often or always	AB: 11% CR: 11% GM: 6% KB: 5% OS: 12% PL: 10%				CWIK - FOS 2003	
	- x more people have access to safe water	AB: 59% CR: 23% GM: 9% KB: 52% OS: 69% PL: 33%				CWIK - FOS 2003	
	- x more people have access to good means of sanitary disposal	AB: 72% CR: 40% GM: 35% KB: 41% OS: 48% PL: 34%				CWIK - FOS 2003	
	- Health service user dissatisfaction reduced by x percent	AB: 36% CR: 33% GM: 61% KB: 45% OS: 28% PL: 33%				CWIK - FOS 2003	
	- Dissatisfaction with schooling decreased by x percent	AB: 22% CR: 42% GM: 63% KB: 36% OS: 27% PL: 61%				CWIK - FOS 2003	
	- Percentage of births attended by trained staff increased by x percent	AB: 95% CR: 51% GM: 22% KB: 9% OS: 85.8% PL: 33%				CWIK - FOS 2003	
	- Percentage of children underweight reduced by x percent	AB: 16% CR: 27% GM: 48% KB: 38% OS: 18% PL: 32%				CWIK - FOS 2003	
	- Percentage of households having access to drinking water supply in less than 30 minutes increased by x percent	AB: 75% CR: 75% GM: 83% KB: 91% OS: 93% PL: 84%				CWIK - FOS 2003	
	- Net Enrolment Rate increased by x percent	AB: 86% CR: 84% GM: 42% KB: 31% OS: 82% PL: 61%				CWIK - FOS 2003	
	- Frequency of clinic visits in the four weeks preceding interview up by x percent	AB: 22% CR: 14% GM: 10% KB: 8% OS: 6% PL: 10%				CWIK - FOS 2003	
	Impact indicators: - % of population considering themselves poor*	AB: 84% CR: 76% GM: 74% KB: 53% OS: 41% PL: 68%				CWIK - FOS 2003	
	- Adult literacy rate	AB: 80% CR: 74% GM: 52% KB: 41% OS: 72% PL: 56%				CWIK - FOS 2003	
	- life expectancy increased						
	- infant mortality reduced						
	-						

Note: Some of the indicators suggested here are taken from the CSP while most were added in 2003 to reflect the availability of data, particularly from the six focal states. Not all data shown should be monitored, a selection should be made. Blanks do not necessarily indicate an absence of data,

* this indicator is based on poverty perception, comparison across states is problematic.

but since there is no significant EC presence in the states yet, it was not possible to assess the criteria given on good governance and institutional reform. Much of the data taken from the CWIQs can be disaggregated further to reflect age, gender, urban/rural differences.

SECTOR <i>WATER AND SANITATION</i>	SECTOR <i>WATER AND SANITATION</i>	Status 2002 (estimate)	Target 2003	Target 2004	Target 2005	Target 2006	Target 2007 (Presidential Water Initiative)	Sources of information	Assumptions
Long Term National Objectives - National Targets Provision of sufficient potable water and adequate sanitation to all Nigerians in an affordable and sustainable way.	Long Term National Objectives - National Targets Provision of sufficient potable water and adequate sanitation to all Nigerians in an affordable and sustainable way.	42% 42% 29%					100% 75% 64%	Independent national statistical studies Federal Office for Statistics (FOS) M&E reports Surveys	
Objective of the intervention State and local levels: <i>Provision of sufficient potable water and adequate sanitation to the poor of the six focal states in an affordable and sustainable way and increase hygiene practices by the three tiers of governments and through private sector involvement when advisable.</i> Federal level <i>Contribution to progress in other states through</i>	Objective of the intervention • State and local levels: <i>Provision of sufficient potable water and adequate sanitation to the poor of the six focal states in an affordable and sustainable way and increase hygiene practices by the three tiers of governments and through private sector involvement when advisable.</i> • Federal level <i>Contribution to progress in other states through</i>							State Water Boards reports Reports of users' associations (watchdog) Programme reports M&E reports Health statistics Surveys	Political and institutional will for reform and service delivery improvement Development of WSS policy Commitment to the cost-sharing formula by

<u>SECTOR</u> WATER AND SANITATION	<u>SECTOR</u> WATER AND SANITATION	Status 2002 (estimate)	Target 2003	Target 2004	Target 2005	Target 2006	Target 2007 (Presidential Water Initiative)	Sources of information	Assumptions
<i>generalisation of lessons learnt</i>	<i>generalisation of lessons learnt</i>								the three tiers of government Commitment in thirty other states to achieving national water goals
<u>Results of the intervention</u> State and local level - Reforms of the finance management achieved - State and local government have the capacity to efficiently deliver WSS services - Greater awareness and management of environmental health risks and more effective hygiene education and good hygiene practices <u>Federal level</u> - Dissemination of lessons learnt to non-focal states and contribution to the national water policy	<u>Results of the intervention</u> • State and local level - Reforms of the finance management achieved - State and local government have the capacity to efficiently deliver WSS services - Greater awareness and management of environmental health risks and more effective hygiene education and good hygiene practices • <u>Federal level</u> - Dissemination of lessons learnt to non-focal states and contribution to the national water policy							Public expenditure tracking survey State Water Boards reports National Water Resources Institute (NWRI) annual reports CWIQ surveys Health reports M&E reports	State budget properly implemented and followed Allocation of adequate funding for the sector Commitment from all stakeholders to sustainability and to fund maintenance Will at federal level and other states to absorb lessons learnt in focal states

WATER AND SANITATION	Performance indicators	Source of verification	Assumptions
<p>Long-term national objectives</p> <p>Provision of sufficient potable water and adequate sanitation to all Nigerians in an affordable and sustainable way through participatory investment by the three tiers of government, the private sector and the beneficiary.</p>	<p>Improving national service coverage from 40% to 60% by the year 2003.</p> <p>Extension of national service coverage to 80% of the population by the year 2007.</p> <p>Extension of service coverage to 100% of the population in the year 2011.</p> <p>Sustain 100% full coverage of water supply and wastewater services for the growing population beyond the year 2011.</p>	<p>Records of Federal Ministry of Water Resources</p>	
<p>Objectives of the intervention</p> <p>Provision of sufficient potable water and adequate sanitation to the population of the six focal states in an affordable and sustainable way through participatory investment by the three tiers of government, the private sector and the beneficiary</p> <ul style="list-style-type: none"> • Contribution to progress in other states through generalisation of lessons learnt 	<ul style="list-style-type: none"> • Increased % of population with access to potable water and sanitation (rural/urban), over time • Allocation and delivery of funding for maintenance • holding of workshops to exchange lessons learnt between focal states and with non-focal states 	<ul style="list-style-type: none"> • State and local government records, NAWASA records, programme survey data • Public Expenditure Tracking Survey organised by programme • Programme reports 	<ul style="list-style-type: none"> • Continued development of water policy at federal level • Commitment in thirty other states to achieving national water goals
<p>Results of the intervention</p> <p><u>Federal level</u></p> <ul style="list-style-type: none"> • Adoption of legal framework for water sector <p><u>State and local level</u></p> <ul style="list-style-type: none"> • Increased availability of potable water in six focal states 	<ul style="list-style-type: none"> • Increased % of population with access to potable water (rural/urban), over time • Increased % of population with access to proper sanitation facilities, over time 	<ul style="list-style-type: none"> • State and local government records, NAWASA records, programme survey data 	<ul style="list-style-type: none"> • Sufficient continuing allocations for maintenance from communities and from state and local

WATER AND SANITATION	Performance indicators	Source of verification	Assumptions
<ul style="list-style-type: none"> Improved sanitation facilities across six focal states More effective hygiene education in six focal states Dissemination of lessons learnt to non-focal states and contribution to national water policy 	<ul style="list-style-type: none"> Decreased prevalence of water-borne diseases, over time 		<p>government</p> <ul style="list-style-type: none"> Will at federal level and in other states to absorb lessons learnt in focal states Federal allocation maintained Commitment from communities and local and state governments to sustainability and funding maintenance State budget properly implemented and followed

WATER AND SANITATION	Performance indicators	Source of verification	Assumptions
<p>Intervention activities</p> <ul style="list-style-type: none"> • Institutional support to reforms and strengthening of the water and sanitation sector in six focal states • Budget support to fund expanded provision of water and sanitation, conditional on the success of the state's reforms and the institutional support in improving service delivery in the six focal states in this sector • Civil society support to improve their involvement in the decision-making process 			<ul style="list-style-type: none"> • Continued political and institutional will for reform and improved service delivery at state level • Sufficiently high oil and other revenues to provide state and local government with adequate funding through programme period • Allocation by state and local governments of adequate funding to the sector <p>Sufficient political stability to allow programme to proceed</p>

STATE AND LOCAL INSTITUTIONAL AND OECONOMIC REFORM	Performance indicators	Source of verification	Assumptions
Overall objective Alleviation of poverty	<ul style="list-style-type: none"> • % of population in poverty • level of literacy by age-group, life expectancy, infant mortality, prevalence of water-borne diseases • Statistics (school attendance, visits to clinics, availability of medicines, schoolbooks, • 		
Programme purpose <ul style="list-style-type: none"> • Improved delivery of poverty-oriented services in six focal states 	In each focal state: <ul style="list-style-type: none"> • % of population in poverty • level of literacy by age-group, life expectancy, infant mortality, prevalence of water-borne diseases • Statistics (school attendance, visits to clinics, availability of medicines, schoolbooks ...) • Survey measures of effectiveness of state and local spending (value of services delivered as % of expenditure) 	<ul style="list-style-type: none"> • Programme baseline and continuing surveys • Official state data • Public Expenditure Tracking Surveys organised within programme 	<ul style="list-style-type: none"> • A favourable environment for operation of private sector (enforceability of contracts, security, law, credit, ports, ...) • Infrastructure starts to function at acceptable level (electricity, telecoms, ...)
Results <ul style="list-style-type: none"> • Transparent state and local governance in six focal states • Administrations reorganised to improve service delivery • • Dissemination of lessons learnt to non-focal states and contribution to national water policy 	<ul style="list-style-type: none"> • % of population with access to potable water (rural/urban) • % of population with access to proper sanitation facilities • prevalence of water-borne diseases 	<ul style="list-style-type: none"> • State and local government records, NAWASA records, programme survey data 	<ul style="list-style-type: none"> • Sufficient continuing allocations for maintenance from communities and from state and local government • Will at federal level and in other states to absorb lessons learnt in focal states

STATE AND LOCAL INSTITUTIONAL AND OECONOMIC REFORM	Performance indicators	Source of verification	Assumptions
<p>Activities</p> <ul style="list-style-type: none"> • Institutional support to reforms and strengthening of the water and sanitation sector in six focal states • Budget support to fund expanded provision of water and sanitation, conditional on the success of the state's reforms and the institutional support in improving service delivery in the six focal states in this sector • Support for civil society capacity to be involved in decision-making process and to encourage transparency 			<ul style="list-style-type: none"> • Continued political and institutional will for reform and improved service delivery at state level • Sufficiently high oil and other revenues to provide state and local government with adequate funding through programme period • Allocation by state and local governments of adequate funding to the sector <p>Sufficient political stability to allow programme to proceed</p>

Annex 2. Activities under the Country Support Strategy signed in July 2002

Titles of CSS programmes	Amounts
Sector 1: Water and Sanitation	
Reform of watsan in six states	€45 million
Budget support to WATSAN in six states	€175 million
Support for water and sanitation policy at federal level	€10 million
Sector 2: State and Local Institutional and Economic Reform	
Institutional and economic reform in six states	€45 million
Budget support to state and local programmes in six states	€175 million
Non focal sector activities:	
Immunisation	€77.4 million ¹
Election support	€6.5 million
Human rights support (Foundation)	€4 million
Foundation to support NGOs	€10 million
Support for private sector	€2 million

Note: reform and budget support projects are notionally divided between the two focal sectors; for implementation a single reform programme is envisaged, including expertise on both focal sectors, and a single budget support programme is envisaged.

¹ Including additional €12.9 million to be committed in 2003

Annex 3. Indicative timetable for commitments and disbursements,

3a.) Commitments chronogramme (CSS projects only; forecasts taken from CSS but budget support adjusted downwards from CSS to take account of commitments undertaken in meanwhile)

Commitments (million euros)	2001	2002	2003	2004	2005	2006	2007	2008	Total
Focal sector 1: Water and sanitation									
Project 1: Institutional support in six states (together with focal sector 2)			46						46
Project 2: Budget support in six states (together with focal sector 2)					165.3				165.3
Project 3: Support for water and sanitation policy at federal level			11						11
Project 4: Support for state and national assemblies									
Focal sector 2: State and local institutional and economic reform									
Project 1: Institutional support in six states (together with focal sector 1)			46						46
Project 2: Budget support in six states (together with focal sector 1)					165.3				165.3
Non-focal sectors:									
Sector a: Health									
Project 2: Immunisation	64.5		12.9						77.4
Sector b: Federal public finance management									
Project 1: Successor to EMCAP				10					10
Sector c: Elections and human rights									
Project 1: Election support		6.5							6.5
Project 2: Support for European Foundation for Human Rights in Nigeria			4						4
Sector d: Private sector									
Project 1: Access to EU private sector instruments				2					2
Sector e: Support for non-state actors									
Project 1: Foundation to support NGOs				10					10
Reserve				8.5					8.5
Total	64.5	6.5	119.9	30.5	330.6	0	0	0	552

3b) Payments chronogramme (including pre-Country Support Strategy - CSS - projects). The yearly forecasts do not sum to the project totals because some funds are likely to be decommitted at the end of each project's life

Payments (million euros)	2001	2002	2003	2004	2005	2006	2007	2008	Total
Pre-CSS projects									
Project 1: Micro-projects in three states: Rivers, Bayelsa, Delta		1	6.2	10	2				21
Project 2: Micro-projects in six states: Abia, Akwa Ibom, Cross River, Edo, Imo, Ondo			8.5	20	8	3.5			42
Project 3: EMCAP		0.3	4.2	6.5					12
Project 4: Small Towns Water Supply			1	3	6	4	1		15
Project 5: State and National Assemblies			1	3	2				6.6
Focal sector 1: Water and sanitation									
Project 1: Institutional support in six states (together with focal sector 2)			7	9	9	9	9	3	46
Project 2: Budget support in six states (together with focal sector 2)				25	50	50	35	15	175
Project 3: Support for water and sanitation policy at federal level			1	3	4	2	1		11
Focal sector 2: State and local institutional and economic reform									
Project 1: Institutional support in six states (together with focal sector 1)			7	9	9	9	9	3	46
Project 2: Budget support in six states (together with focal sector 1)				25	50	50	35	15	175
Non-focal sectors:									
Sector a: Health									
Project 2: Immunisation	20.4		21.3	9	7	6	0.8		64.5
Sector b: Federal public finance management									
Project 1: Successor to EMCAP				2	3	3	2		10
Sector c: Elections and human rights									
Project 1: Election support		5.2	1.3						6.5
Project 2: Support for European Foundation for Human Rights in Nigeria			0.5	2	1.5				4
Sector d: Private sector									
Project 1: Access to EU private sector instruments			0.5	0.5	0.5	0.5			2
Sector e: Support for non-state actors									
Project 1: Foundation to support NGOs				2	2	2	2	2	10
Reserve for studies, possible co-funding of regional programmes, federal budget support and co-funding of international programmes				8.5					8.5
Total	20.4	6.5	59.5	137.5	154	139	94.8	38	

Annex 6. Nigeria – basic indicators.

Population: 129 million (2002 est.)	Population growth: 2.8%
Area: 923,000sq.km	Religion: 50% Muslims, 40% Christians, 10% Animists
Urbanisation: 43%	Life expectancy: 53 years
Adult literacy: 63%	Human Development Index position: 148 th / 174
GDP/per capita (2001 est.): US \$ 840	Exchange rate: 115.0 Naira : 1 US \$ (official interbank) Sep 2002 136 Naira : 1 US\$ (parallel market)
	Below poverty line: 45%
Oil revenue as % of GDP (2001): 20%	
Debt as % of GNP 1999: 93%	Total external debt: US \$ 32 billion (2002)
Per Capita aid: US \$2	Infant mortality: 72.49/1000 live births
Crude oil prod. (2001): 2.24 Million barrels/day	Imports: US \$ 13.7 Billion (2002 est.)
Health (% Federal Budget, 2002): 1.6	Exports: US \$ 20.3 Billion (2002 est.); 95% petroleum and petroleum products.
Education (% Federal Budget, 2002): 1.9	Inflation (CPI 2001): 14.9%

Table 1: Nigeria: General Economic Development Indicators

<u>Economic Indicators</u>	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
GDP Per Capita (₦) (Real)	1064.7	1069.0	1047.5	1041.5	1051.8	1048.4	1041.0	1038.8	1046.8	1062.5	1097.2
End of period exchange rate (₦ /US\$)	17.3	22.6	21.9	21.9	21.9	21.9	21.9	98.2	110.1	113.0	114.0
Period average exchange rate (₦ /US\$)	17.1	22.3	21.9	21.9	21.9	21.9	21.9	96.1	102.1	112.0	113.0
GDP Per Capita (US\$) (Real)											
Average monthly salary (US\$)											
Annual GDP growth rate (percent)	3.0	2.7	1.3	2.2	3.4	3.2	2.4	2.8	3.8	4.2	3.3
Agricultural growth rate (percent)	2.1	1.4	2.4	3.7	4.1	4.2	4.9	4.4	2.9	3.8	5.3
Manufacturing growth rate (percent)	-4.8	-4.1	-0.8	-5.5	0.9	0.3	0.3	3.5	3.6	4.2	4.5
Rate of inflation period average (percent)	44.6	57.2	57.0	72.8	29.3	8.5	10.0	6.6	6.9	18.9	12.9
Current account balance (percent of GDP)	17.2	-5.0	-5.7	-9.5	8.8	13.0	-12.2	1.3	14.6	4.8	...
Gross reserves (months of import coverage)	...	2.4	3.0	2.1	7.6	9.6	9.2	7.6	13.6	12.0	...
Debt/GDP ratio (percent)	86.6	90.8	70.9	36.6	22.5	21.0	22.9	77.2	86.4	58.4	...
Debt Burden (debt service ratio)	20	18	20	4	3	3	4	14	8	12	...
Unemployed Rate	2.1	2.7	2.0	1.8	3.4	3.4	3.5	17.2	14.9	13.7	12.6
Social Indicators: Health/Education											

<u>Economic Indicators</u>	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Male life expectancy at birth (years)		52.6	52.6	52.6	52.6	53	54	54	54	54	52.6
Female life expectancy at birth (years)		53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8
Crude death rate (per 1000)		13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9
Natural increase (per 1000)		28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3
Fertility rate (births per woman)		5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Infant mortality rate (per 1000 births)		87.2	87.2	87.2	87.2	87.2	87.2	90.0	75.1	75.1	75.1
Maternal mortality rate (per 100,000 births)		1500.0	1500.0	1400.0	1400.0	1000.0	1000.0	1000.0	1000.0	1000.0	1000
Under-five mortality rate		115.2	115.2	115.2	115.2	115.2	115.2	168.0	168.0	168.0	168.0
Immunisation rate --											
Diphtheria, pertussis, tetanus (percent of children under 2)		46.0	25.0	17.0	49.1	81.2	55.1	51.9	72.7	73.3	...
Immunisation rate -- polio (percent of children under 2)		30.0	...	28.0	40.0	84.0	57.5	51.8	72.5	61.0	...
Immunisation rate - measles (percent of children under 2)		36.0	...	32.7	49.9	82.0	53.0	50.3	70.4	92.3	...
Physicians (number per 10,000 population)		...	...	2.2	2.5	2.5	2.6	2.7	2.7	2.7	...
Nurses (number per 10,000 population)		...	...	17.2	20.0	20.0	20.8	21.4	21.4	21.4	...
Number of beds (per 10,000 population)		1277.0	1304.0	1477.0	1555.0	1632.0	1738.0	1564.0	1611.0	2124.0	...
Health expenditure as % of Annual Federal Budget	2.0	2.4	2.7	3.3	2.6	2.1	3.3	4.5	3.1	4.4	...

<u>Social Indicators Contd.</u>	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Basic education enrolment rate (percent)		86.0	86.0	81.0	70.0	71.0	76.0	81.0	87.0	69.0	...
Higher secondary and professional education enrolment rate (percent)	4.0	26.6	25.7	26.8	26.6	25.2	25.4	...	...	...	...
Teacher-pupil ratio in basic education		37.0	37.0	36.0	34.0	36.1	38.3	36.0	46.0	...	...
Education expenditure as % of Annual Federal Budget		7.1	9.3	8.3	8.1	5.8	7.3	8.8	8.7	35.0	...
Poverty Indicators											
Gini coefficient	...	...	...	...	...	...	...	...	...	...	...
Human development index	...	...	...	...	...	0.4	0.4	0.4	0.4	0.4	...
Head count ratio of poverty (percent)	42.7	...	...	...	65.9	...	...	...	...	...	...
Poverty gap (percent)	38.4	...	...	...	35.8	...	...	...	...	...	...
Severity of poverty (percent)	20.2	...	...	...	20.7	...	...	...	...	...	...

Environmental Indicators											
Access to safe water	49.0%	49%	49%	49.9%	...	...	49.0%	49.0%	57.0%	...	...
	60.0%	60%	60%	...	...	...	41.0%	41.0%	63.0%	...	...
Access to sanitation	156,000K	-	-	57.0%	...	...	...	...	...	...	...
Total area covered by Forests	m ²	29,700Km ²	29,700Km ²	0.9	30,200	30,200Km ²	30,200Km ²	30,200Km ²	30,200Km ²	...	...
Forest Area under National Protection	29,700Km ²	(3.2%)	(3.2%)	30,200	Km ²	(3.3%)	(3.3%)	(3.3%)	(3.3%)	...	...
Annual forest land conversion		1,200Km ²	(3.2%)	Km ²	(3.3%)	...	(3.3%)	3,984Km ²	3,984Km ²	...	...
Annual rate of deforestation	(3.2%)	0.7%	1,200Km ²	(3.3%)	1,214K	...	3,984Km ²	2.6%	2.6%	...	...
Energy use per capita (0.1 equivalent)	1,200Km ²	737Kg	0.7%	1,214K	m ²	753Kg	2.6%	705Kg	705Kg	...	...
Per-capita CO ₂ emissions	0.7%		737Kg	m ²	0.9%		753Kg			...	...
	737Kg	0.9m/tones		0.9%	737Kg	0.7m/tones		...	...	...	...
	0.9m/ton es		0.8m/ton es	737Kg	0.7m/t ones		0.6m/ton es			...	...

Notes: (1) Data for 2002 are provisional

(2) The debt burden is defined as actual debt service payments as a percentage of total earnings from export of goods.

(3) The unemployment rates for 1992 to 1998 were based on ILO concept of unemployment defined as those who did not work for at least one hour in the week proceeding the survey period. Data for 1999-2001 were based on the concept of not working for at least 39 hours in the week preceding the survey.

Sources: (i) Federal office of Statistics (ii) Central Bank of Nigeria; (iii) Federal Ministry of Health; (iv) Federal Ministry of Education;